

Message Text

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70

ACTION ARA-20

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 0272

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E.O. 11652: N/A

TAGS: EMIN, DR

SUBJECT: MINING - GODR SEEKS BETTER DEAL FROM

ALCOA OPERATION

1. PRESIDENT BALAGUER, ON APRIL 13, SIGNED A DECREE NAMING A COMMISSION TO NEGOTIATE REVISIONS IN THE CONTRACTS WHICH GOVERN THE RELATIONS BETWEEN THE GODR AND THE LOCAL SUBSIDIARY OF ALCOA. THE COMMISSION IS ALSO TO STUDY THE POSSIBILITY OF INSTALLING AN ALUMINA PLANT TO PROCESS PARTIALLY THE BAUXITE ORE WHICH ALCOA IS NOW EXPORTING TO ITS POINT COMFORT, TEXAS PLANT. AN ADDITIONAL RESPONSIBILITY OF THE COMMISSION IS TO DETERMINE WHETHER THE DOMINICAN REPUBLIC SHOULD PARTICIPATE IN THE RECENTLY-ESTABLISHED ORGANIZATION OF BAUXITE PRODUCING COUNTRIES.

2. THE MEMBERS NAMED TO THE COMMISSION ARE: SECRETARY OF FINANCE, CARLOS SELIMAN; SECRETARY OF INDUSTRY AND COMMERCE, FEDERICO ANTUN AND THE DIRECTOR OF THE DOMINICAN EXPORT PROMOTION CENTER, FERNANDO PERICHE. THE PRESIDENTIAL DECREE PROVIDES THAT THE COMMISSION SHOULD GET TECHNICAL ASSISTANCE FROM EXPERTS OF THE DIRECTORATE GENERAL OF MINING AND THE CENTRAL BANK.

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3. COMMENT: JUDGING BY THE COMPOSITION OF THE

COMMISSION AND THE SPECIFICITY OF THE PRESIDENTIAL DECREE, THE LOCAL OPERATION OF ALCOA IS LIKELY TO BE SUBJECTED TO CONSIDERABLE PRESSURE TO RENEGOTIATE. WHEREAS BALAGUER (NOT UNLIKE POLITICAL LEADERS OF OTHER MORE-DEVELOPED COUNTRIES) OFTEN APPOINTS COMMISSIONS TO STUDY THORNY PROBLEMS HE HAS NO INTENTION OF DOING ANYTHING ABOUT, THIS DOES NOT APPEAR TO BE SUCH A SITUATION. ALL THREE MEMBERS OF THE COMMISSION HAVE ASSERTED PUBLICLY IN RECENT WEEKS THAT THE DOMINICAN REPUBLIC SHOULD BE GETTING MORE OUT OF THE ALCOA MINING OPERATION IN TERMS OF MORE EXTENSIVE PROCESSING OF THE ORE IN THE COUNTRY AND/OR A GREATER SHARE OF THE PROCEEDS BEING PAID TO THE GOVERNMENT.

4. A KEY QUESTION FOR THE COMMISSION TO DETERMINE IS WHETHER THERE ARE ENOUGH BAUXITE RESERVES IN OR AROUND THE ALCOA PROPERTY OR ELSEWHERE IN THE COUNTRY, OR IMPORTABLE WHICH WOULD JUSTIFY THE \$100 - \$150 MILLION REQUIRED TO SET UP AN ALUMINA PLANT. ALCOA'S POSITION ALSO IS EXPECTED TO BE AFFECTED ADVERSELY BY THE FACT THAT ITS CONTRACT, WHICH IS OF 1957 VINTAGE, SUFFERS FROM COMPARISON WITH THE FALCONBRIDGE AND ROSARIO MINING CONTRACTS, WHICH GIVE THE GODR PARTIAL OWNERSHIP AND A MUCH LARGER PERCENTAGE OF THE ECONOMIC BENEFITS OF THE MINING OPERATION.

5. ALTHOUGH THE ALCOA ISSUE SHOULD HEAT UP FOR SOME WEEKS OR MONTHS, THE EMBASSY DOES NOT ANTICIPATE THAT THINGS WILL GET OUT OF HAND BECAUSE OF PRESIDENT BALAGUER'S BASICALLY RECEPTIVE ATTITUDE TOWARD FOREIGN INVESTMENT AND THE SKILLFUL AND ENLIGHTENED LEADERSHIP WHICH ALCOA HAS AVAILABLE HERE LOCALLY.
HURWITCH

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